



1 Gold Miner Offering Considerable Upside

Description

Despite a firmer U.S. dollar and an optimistic outlook for the global economy, gold continues to trade at close to the psychologically important US\$1,300 per ounce mark. While the yellow metal is trading well below its 2018 high of over US\$1,362 per ounce, there is every indication that it [could surge](#) at any time.

This is because the world, notably the Middle East, remains fraught with [geopolitical tensions](#). Furthermore, Trump's erratic policy making could escalate tensions or even ignite a trade war, which would have significant economic fallout, making it imperative for investors to boost their exposure to gold. An attractively valued means of doing so that offers considerable potential upside is **McEwen Mining Inc.** ([TSX:MUX](#))([NYSE:MUX](#)).

Now what?

McEwen owns four producing mines, two projects under development, and two exploration-stage properties, which give it reserves of 751,000 gold ounces and 10 million silver ounces. For the first quarter 2018, the miner reported some solid results, highlighting the considerable potential held by its assets. Production expanded by a remarkable 49% year over year to 44,300 gold equivalent ounces, which, along with higher gold prices, caused revenue to increase almost three-fold compared to the same period for 2017.

Nonetheless, McEwen reported a net loss for the quarter of US\$5.2 million, which was significantly greater than the US\$3 million reported for the first quarter in 2017. While on first appearances, that could be construed as a negative, it can, in fact, be attributed to a significant increase in spending on exploration and mine development. This increases the likelihood that McEwen can grow its future precious metals reserves and production, unlocking further value for investors.

It is this significant expansion of capital spending that is also the reason for the miner's high all-in sustaining costs (AISCs) relative to many of its peers with more mature operations.

Importantly, in an operating environment where gold remains firm and is trading above US\$1,300 per ounce, McEwen is expanding its gold and silver production. For 2018, it is forecast to grow by 13%

year over year and then by another 26% during 2019. That will give McEwen's earnings a solid bump.

The majority of the projected increase in gold production for 2019 will come from McEwen's Gold Bar project located in Nevada. The asset, which is currently under development, has reserves of 484,000 gold ounces and a projected mine life of seven years. Production is forecast to commence during the first quarter of 2019.

McEwen's northern Ontario Black Fox property, which it acquired in October 2017, possesses considerable exploration upside, having been assessed to hold gold resources of 668,000 ounces. It should, however, be noted that those resources are not classified as reserves, because it has not been determined whether or not they are economic to mine. The miner has also ramped up exploration activity at that property and its nearby Timmins properties.

Notably, for a miner with less-than-mature assets as well as a considerable number of properties under development and exploration, McEwen finished the first quarter 2018 with a solid balance sheet. It had cash on hand of just under US\$30 million and, importantly, no debt, endowing the miner with considerable financial flexibility.

What boosts McEwen's appeal even further is that management's interests are closely aligned to those of shareholders. The chairman and CEO of the miner Rob McEwen, who was the founder, former chairman, as well as CEO of **Goldcorp Inc.**, has invested US\$133 million to own 24% of the company and only receives a token salary of US\$1 annually.

So what?

McEwen is an extremely attractive means of gaining exposure to gold because of its high-quality portfolio of assets located in mining-friendly jurisdictions and rock-solid balance sheet combined with the demonstrated capabilities of its CEO. This means that there is considerable upside ahead, particularly if gold rallies higher over the remainder of 2018.

CATEGORY

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